

**U.S. DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, D.C. 20202**

POLICY DIRECTIVE

RSA-PD-92-08

RSM-1050 1/

DATE: 6-26-92

TO : **STATE VOCATIONAL REHABILITATION AGENCIES (GENERAL)
STATE VOCATIONAL REHABILITATION AGENCIES (BLIND)
CLIENT ASSISTANCE PROGRAMS
REGIONAL REHABILITATION CONTINUING EDUCATION
PROGRAMS (RRCEPS)
RSA SENIOR MANAGEMENT TEAM**

SUBJECT : Time Periods for the Earning and Subsequent Obligation of Program Income Funds by State Vocational Rehabilitation (VR) Agencies in the State VR Programs

BACKGROUND : Rehabilitation Services Administration (RSA) Policy Directive (PD) 92-04, issued December 6, 1991, stipulates that program income, according to the Education Department General Administrative Regulations (EDGAR) - the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - 34 CFR 80.25, must be deducted from allowable costs charged to the grant, unless the Commissioner of RSA approves a request that it be used for additional allowable expenditures in the program in which it was earned. The PD further outlines five sources of program income. Upon request, RSA will consider granting permission to a grantee to use program income for additional allowable program expenditures in the program in which it was earned. In Information Memorandum 92-10, dated December 31, 1991, RSA stated that the Commissioner will consider a one-time waiver request for States operating under approved budgets which anticipate using program income this year in programs other than that in which it was earned.

Two areas of concern have been raised: the first being when does program income accrue, and the second, when must program income funds be obligated. This PD supplements the policy in PD 92-04 by addressing these two issues.

1/ Under Development

POLICY STATEMENT : Program income is defined at 34 CFR 80.25(b) as "...gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. 'During the grant period' is the time between the effective date of the award and the ending date of the award reflected in the final financial report." The uncertainty of when certain kinds of program income are earned serves as the basis for the RSA conclusion that program income, whenever earned, is considered accrued when is received. In some cases, for example Social Security reimbursements, program income is not received for many months, or possibly years, and may be for services to a client over several years. Therefore, it is RSA policy that program income requirements apply when the funds are actually received and become available for use by the grantee.

The grant period for obligating program income is that period of time associated with the current grant when the funds become available (or are received). The question concerning when program income funds must be obligated arises when a VR agency has received permission to use program income funds to make additional allowable program expenditures. When additional allowable expenditures are authorized, EDGAR provides in 34 CFR 80.25(g)(2) that program income "shall be used for the purposes and under the conditions of the grant agreement." Normal obligation requirements, that apply to grant funds during a fiscal year, also apply to program income received during that fiscal year.

This means that for the Supported Employment and Independent Living, Part A, Programs, all program income funds must be obligated by September 30. But other obligation requirements apply to the Title I Vocational Rehabilitation Services Program. Program income funds in the Title I Program must be obligated by the end of the fiscal year in which the program income is received, unless the program income is received after the commencement of the fourth quarter of the fiscal year. In that case, the additional obligation period allowable for reallocation funds applies. In order that the funds be obligated in a way that will result in well-planned use, it is RSA policy that program income funds received through the end of the third quarter of the Federal fiscal year must be obligated by the end of the Federal fiscal year and program income funds received in the Title I Program in the fourth quarter of the Federal fiscal year must be obligated by November 15 of the Federal fiscal year subsequent to the fiscal year in which the funds were received.

CITATION IN REGULATIONS : 34 CFR 80.25

OTHER CITATIONS : RSA Policy Directives 92-04 and 92-10

EFFECTIVE DATE : Issue Date

EXPIRATION DATE : Until Retired

INQUIRIES : RSA Regional Commissioners

Nell C. Carney, CRC
Commissioner, RSA

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